




**ROYAL BANK
OF CANADA**

**NOTICE OF THE ANNUAL MEETING
OF COMMON SHAREHOLDERS
AND
MANAGEMENT PROXY CIRCULAR**

December 7, 1993

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ROYAL BANK
OF CANADA

NOTICE OF THE ANNUAL MEETING OF COMMON SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual Meeting of Common Shareholders of Royal Bank of Canada will be held in the Port Royal Room of the World Trade and Convention Centre, 1800 Argyle Street, in the City of Halifax, Province of Nova Scotia on Thursday, the 27th day of January 1994 at 10:30 a.m. (Atlantic time) for the following purposes:

- (1) to receive the Financial Statements of the Bank for the year ended October 31, 1993, and the Auditors' Report thereon;
- (2) to elect Directors;
- (3) to appoint Auditors;
- (4) to pass a Resolution to approve the Executive Stock Option Plan; and
- (5) to transact such other business as may properly be brought before the meeting.

Montreal, December 7, 1993

BY ORDER OF THE BOARD

JANE E. LAWSON
Senior Vice-President & Secretary

IMPORTANT

Shareholders who are unable to be present at the Annual Meeting of Common Shareholders are requested to sign and return the enclosed Form of Proxy in the envelope provided for that purpose. Proxies must be received at the Montreal office of Montreal Trust Company of Canada, the Transfer Agent, at least 48 hours prior to the meeting.

MANAGEMENT PROXY CIRCULAR

(As of December 7, 1993, except as otherwise provided)

SOLICITATION OF PROXIES

THIS MANAGEMENT PROXY CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ROYAL BANK OF CANADA (THE "BANK") OF PROXIES FOR USE AT THE ANNUAL MEETING OF COMMON SHAREHOLDERS OF THE BANK TO BE HELD ON THE 27TH DAY OF JANUARY 1994 AT THE PLACE AND FOR THE PURPOSES SET FORTH IN THE NOTICE OF MEETING ACCOMPANYING THIS MANAGEMENT PROXY CIRCULAR.

The cost of solicitation will be borne by the Bank. The solicitation will be primarily by mail. However, the directors, officers and regular employees of the Bank may also solicit proxies by telephone, telegram or in person.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On November 19, 1993, the Bank had outstanding 314,154,963 Common Shares. Subject to the provisions of the *Bank Act*, shareholders as at the record date of December 10, 1993 are entitled to one vote for each such share held. Shareholders who acquire their shares subsequent to December 10, 1993, may acquire voting rights provided they request the Bank, not later than 10 days before the meeting, to add their name to the voters' list.

To the knowledge of the directors and officers of the Bank, no person on November 19, 1993, owned or exercised control or direction over more than 10% of the outstanding Common Shares of the Bank.

VOTING RESTRICTIONS

Under the provisions of the *Bank Act*, the voting rights pertaining to a share of the capital stock of the Bank may not be exercised if:

- (a) the shareholder is a resident of Canada who holds the share in the right of or for the use or benefit of a non-resident, other than a non-resident who is a United States resident;
- (b) the share in question is beneficially owned by the government of Canada or of a province, or any agency thereof, or by the government of a foreign country or any political subdivision thereof, or any agency thereof; or

- (c) the share is beneficially owned by a non-resident other than a non-resident who is a United States resident, who owns beneficially directly or through entities controlled by such person more than 10% of the outstanding shares of the Bank.

The foregoing is a summary only. A copy of the relevant sections of the *Bank Act* will be forwarded to any shareholder upon request made to the Secretary of the Bank at the Bank's Head Office.

APPOINTMENTS AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are directors and officers of the Bank. **SHAREHOLDERS DESIRING TO APPOINT SOME OTHER PERSON (WHO IS NOT REQUIRED TO BE A SHAREHOLDER OF THE BANK) TO REPRESENT THEM AT THE MEETING MAY DO SO** (see Note 3 on the Form of Proxy), either by inserting such person's name in the blank space provided in the Form of Proxy and deleting the names printed thereon or by completing another proper Form of Proxy and, in either case, delivering the completed Proxy to Montreal Trust Company of Canada, the Transfer Agent of the Bank, at least 48 hours prior to the meeting.

A shareholder who signs and returns the enclosed Form of Proxy may revoke it at any time before it is acted upon by depositing written notification at the Head Office of the Bank not later than the last business day preceding the day of the meeting or with the Chairman of the meeting on the day of the meeting or any adjournment thereof.

VOTING SECRECY

Proxies are counted and tabulated by Montreal Trust Company of Canada, the Transfer Agent of the Bank, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder clearly intends to communicate his or her individual position to management, and (b) as necessary to meet the requirements of applicable law.

EXERCISE OF DISCRETION BY PROXY

The shares represented by any Proxy in the form enclosed herewith and appointing the persons designated thereon or any of them to represent the shareholder at the meeting will be voted in accordance with the specifications given by the shareholder. **IN THE ABSENCE OF ANY CONTRARY INSTRUCTION, THE SHARES REPRESENTED BY PROXIES RECEIVED BY MANAGEMENT WILL BE VOTED ON ANY BALLOT WHICH MAY BE HELD "FOR" THE ELECTION OF THE MANAGEMENT NOMINEES FOR DIRECTORS, "FOR" THE APPOINTMENT OF THE AUDITORS NAMED HEREIN, "FOR" THE APPROVAL OF THE EXECUTIVE STOCK OPTION PLAN AND "FOR" MANAGEMENT'S PROPOSALS GENERALLY.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting.

As at the date hereof, management is not aware that any other matter is to be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the enclosed Form of Proxy will vote thereon in accordance with their judgement pursuant to the discretionary authority conferred by such Proxy with respect to such matters.

Except as otherwise specified herein, a simple majority of the votes cast at a meeting, whether by Proxy or otherwise, will constitute approval of any matter submitted to a vote at the meeting.

ELECTION OF DIRECTORS

The Board consists of a minimum of 20 and a maximum of 50 directors, who are required to be elected annually. The persons named on the enclosed Form of Proxy intend to vote for the election of the nominees whose names are set forth below and who are now directors of the Bank. Each director will be elected to hold office until the next Annual Meeting of Common Shareholders or until such office is earlier vacated.

The Board of Directors does not have an executive committee. **Directors who are members of the Audit Committee are so designated herein.** The undernoted table sets forth the names of the persons proposed to be nominated for election as directors together with their principal occupation, the year in which they became directors of the Bank and the number of shares beneficially owned, directly or indirectly, or over which control or direction was exercised on November 19, 1993.

Additionally, as required by the *Bank Act*, set out below is a summary of the record of attendance by directors at meetings of the Board and Committees of the Board during the 12 months ended November 30, 1993. During this period, 13 Board meetings were held in the following cities: Edmonton, Alberta (1), Montreal (8), Saint John, New Brunswick (1), Toronto (3). Committees of the Board held meetings as follows: Audit (7), Conduct Review (6), International Strategic Issues (1), Loan Policy (20), Nominating (4), Personnel & Compensation (3), Public Policy (4). Regional Director Committees also held meetings as follows: Atlantic (3), Quebec (4), Ontario (3), Manitoba (4), Saskatchewan (5), Alberta (4), British Columbia (10), New York (4), London, England (5).

Name & Principal Occupation	Municipality of Residence	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended Board Committees ⁽²⁾	
Theodore M. Allen President and Chairman of the Board United Grain Growers Limited (Agri services & Publishers)	Winnipeg, Manitoba	Oct. 6, 1992	—	11	22
Sir James Ball Professor of Economics London Business School (Director of Royal Bank of Canada Holdings (U.K.) Limited)	Surrey, England	Sept. 5, 1990	2,800	11	1
Jacques Bougie President and Chief Executive Officer Alcan Aluminium Limited (Fully integrated international aluminium products)	Outremont, Quebec	Nov. 5, 1991	200	12	1
Robert M. Chipman ⁽³⁾ Chairman The McGill-Stephenson Company Limited (Management)	Winnipeg, Manitoba	May 5, 1986	2,952	13	9
John E. Cleghorn President & Chief Operating Officer Royal Bank of Canada (Director and Chairman of RBC Trust Company, Royal Trust Corporation of Canada, The Royal Trust Company, The Bankers' Trust Company and The Royal Trust Company Mortgage Corporation)	Westmount, Quebec	Nov. 3, 1987	53,590	13	31
Ronald L. Cliff, C.M., C.A. Chairman BC Gas Inc. (Energy) Chairman Southam Inc. (Newspapers and information)	Vancouver, B.C.	April 7, 1987	102,979	10	13
George A. Cohon, O.C. Senior Chairman and Chairman of the Executive Committee McDonald's Restaurants of Canada Limited (Quick service restaurants)	Toronto, Ontario	June 1, 1988	2,000	10	3

Name & Principal Occupation	Municipality of Residence	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended Board	Committees ⁽²⁾
G.N. (Mel) Cooper, C.M., O.B.C. President Seacoast Communications Group Inc. (Radio broadcasting & production)	Victoria, B.C.	Oct. 6, 1992	100	13	4
Pierre Des Marais II President and Chief Executive Officer UniMédia Inc. (Publishing)	Verdun, Quebec	March 6, 1990	786	12	3
Mitzi S. Dobrin, C.M. Chairman & Chief Executive Officer DBRN Holdings Ltd. (Investment)	Montreal, Quebec	Nov. 30, 1976	8,227	10	22
John R. Evans, C.C., M.D. ⁽³⁾ Chairman Allelix Biopharmaceuticals Inc. (Biotechnology)	Toronto, Ontario	March 6, 1984	3,000	11	8
John T. Ferguson President & Chief Executive Officer Princeton Developments Ltd. (Real estate)	Edmonton, Alberta	April 3, 1990	1,071	10	20
L. Yves Fortier, C.C., Q.C. ⁽³⁾ Chairman Ogilvy Renault (Barristers & Solicitors)	Westmount, Quebec	March 3, 1992	1,597	10	7
The Hon. Paule Gauthier, P.C., O.C., Q.C. Partner Desjardins Ducharme Stein Monast (Barristers & Solicitors) (Director of RBC Trust Company, Royal Trust Corporation of Canada, The Royal Trust Company, The Bankers' Trust Company and The Royal Trust Company Mortgage Corporation)	Quebec, Quebec	Oct. 1, 1991	2,062	12	8
Arden R. Haynes, O.C. ⁽³⁾ Company Director	Don Mills, Ontario	June 11, 1985	548	10	7
Charles H. Knight Chief Executive Officer Denro Holdings Ltd. (Land development)	Regina, Sask.	Feb. 1, 1983	2,500	11	3

Name & Principal Occupation	Municipality of Residence	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended Board Committees ⁽²⁾
The Hon. E. Peter Loughheed, P.C., C.C., Q.C. Senior Partner Bennett Jones Verchere (Barristers & Solicitors)	Calgary, Alberta	Feb. 4, 1986	400	11 2
Clifford S. Malone Vice-Chairman United Corporations Limited (Investments) (Director of RBC Trust Company, Royal Trust Corporation of Canada, The Royal Trust Company, The Bankers' Trust Company, The Royal Trust Company Mortgage Corporation and Royal Bank Realty Holdings (RBLI) Inc.)	Toronto, Ontario	May 20, 1975	5,000	13 27
Alexander B. Marshall Director The Maersk Company Limited (Transportation) (Director of Royal Bank of Canada Holdings (U.K.) Limited)	London, England	Oct. 1, 1985	—	11 1
J. Pierre Maurer ⁽³⁾ Retired Vice-Chairman of the Board Metropolitan Life Insurance Company (New York) (Life insurance)	New York, N.Y.	April 23, 1975	16,322	13 9
G. Wallace F. McCain President McCain Foods Limited (Frozen foods)	Florence- ville, N.B.	Sept. 3, 1986	136,500	11 2
Dawn R. McKeag ⁽⁴⁾ President Walford Investments Ltd. (Holding)	Winnipeg, Manitoba	March 1, 1978	12,000	12 7
J. William E. Mingo, Q.C. Barrister Stewart McKelvey Stirling Scales (Barristers & Solicitors)	Halifax, N.S.	April 5, 1983	13,500	12 8
J. Edward Newall President and Chief Executive Officer NOVA Corporation of Alberta (Natural gas transmission, manufacturing and marketing of chemicals and plastics)	Calgary, Alberta	Sept. 5, 1984	12,140	8 3

Name & Principal Occupation	Municipality of Residence	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended Board	Committees ⁽²⁾
Ronald W. Osborne, F.C.A. President and Chief Executive Officer Maclean Hunter Limited (Communications)	Toronto, Ontario	Oct. 1, 1991	675	11	1
Robert B. Peterson Chairman and Chief Executive Officer Imperial Oil Limited (Integrated petroleum)	Toronto, Ontario	Sept. 10, 1992	500	13	22
Ralph A. Pfeiffer, Jr. ⁽³⁾ Retired Chairman & Chief Executive Officer IBM World Trade Corporation (Information technology)	Greenwich, Connec- ticut	June 12, 1984	600	12	10
Neil F. Phillips, Q.C. Resident Senior Counsel Goodman Phillips & Vineberg (Barristers & Solicitors)	New York, N.Y.	Feb. 1, 1972	18,000	12	8
Kenneth C. Rowe, F.C.I.S. Chairman, President and Chief Executive Officer I.M.P. Group Limited (Aerospace, aviation & marine industries)	Halifax, N.S.	Nov. 5, 1985	189,032	12	21
Guy Saint-Pierre, O.C. President and Chief Executive Officer SNC-LAVALIN GROUP Inc. (Engineering & manufacturing)	Montreal, Quebec	Nov. 6, 1990	6,714	10	4
Robert T. Stewart Chairman, President and Chief Executive Officer Scott Paper Limited (Canadian manufacturers of sanitary & convenience paper products)	West Vancouver, B.C.	April 5, 1988	1,000	12	3
Allan R. Taylor Chairman & Chief Executive Officer Royal Bank of Canada	Don Mills, Ontario	June 7, 1983	107,863	13	35

Name & Principal Occupation	Municipality of Residence	Director Since	Common Shares of the Bank Beneficially Owned ⁽¹⁾	Number of Meetings Attended Board Committees ⁽²⁾	
John A. Tory, Q.C. Deputy Chairman The Thomson Corporation (Publishing and travel)	Toronto, Ontario	March 10, 1971	28,643	10	4
Sheelagh D. Whittaker President EDS Canada (Information Technology) (During the past five years has been Senior Vice-President, Executive Vice-President and President and Chief Executive Officer of Canadian Satellite Communications Inc. (Communications)).	Toronto, Ontario	June 1, 1993	—	6	3
Victor L. Young Chairman & Chief Executive Officer Fishery Products International Limited (Frozen seafood products)	St. John's, Newfound- land	April 2, 1991	500	12	6

⁽¹⁾ Includes shares over which control or direction was exercised as of November 19, 1993, by the person named even in those cases when beneficial ownership of some or all of the shares is disclaimed.

⁽²⁾ Excludes attendance at Regional Director Committee meetings and at a new committee the Board established on November 2, 1993.

⁽³⁾ Member of Audit Committee.

⁽⁴⁾ Also holds 200 First Preferred Shares, Series "B" of the Bank.

To the knowledge of the Bank, the directors and senior officers of the Bank, as a group, beneficially own, directly or indirectly, or exercise control or direction over less than 1% of the outstanding Common Shares of the Bank.

Except where required for qualification as a director of a subsidiary, none of the directors of the Bank hold shares of its subsidiaries.

Directors who are not standing for re-election on January 27, 1994 attended during the twelve-month period ended November 30, 1993, meetings as follows:

	Board	Committees ⁽²⁾
WALTER F. LIGHT, O.C., O.Ont. ⁽³⁾	11	7
HERBERT C. PINDER	12	22

REPORT ON EXECUTIVE COMPENSATION

The Personnel and Compensation Committee of the Board of Directors (the "Committee") is composed of five directors who are neither officers nor former officers of the Bank and it is charged with the periodic review of the Bank's long-range plans and policies for attracting, retaining, developing and motivating employees, including the executive officers named below (the "named executive officers"). The Committee makes recommendations with respect to the compensation of the named executive officers to the Board of Directors, which gives final approval on compensation matters.

The Bank's executive compensation policies are designed to recognize and reward individual performance as well as provide a competitive level of compensation. Given the Bank's size and complexity, the Bank's policy is for overall compensation of its executive officers, including the named executive officers, to equal the median of the top 50% of the country's largest corporations, including those in the financial services sector. The Bank's relative compensation position is determined annually by surveys conducted by independent compensation consulting firms.

The key components for executive officer compensation are base salary, and short and long term incentives. The design of the short and long term incentive plans can provide a significant amount of variable compensation which is linked to increases in shareholder wealth, and to Bank and individual performance.

Base Salaries

Based on the Bank's relative compensation position, salary ranges have not been adjusted since 1991.

Salaries of the named executive officers are reviewed annually, based on individual performance, responsibility, and experience to ensure they reflect the contribution expected from each officer.

On January 1, 1993, Mr. A.R. Taylor was granted a base salary increase of \$50,000. Mr. Taylor's salary reflects the size and complexity of the Bank as well as his experience and personal contribution.

Short Term Incentive Plan

The Bank's Short Term Incentive Plan, known as its Quality Performance Incentive Plan ("QPI"), provides opportunities to earn incentive bonuses based on individual performances and the general financial performance of the Bank in relation to planned targets of return on equity ("ROE") in each fiscal year. Named executive officers participate in accordance with the same rules as all employees of the Bank.

Based on the Bank's actual ROE, a range of incentive bonus opportunities is provided for each executive officer and the actual incentive bonus to each executive officer is determined on the basis of individual performance assessed through a number of factors which include businesses' financial performance, judgement, managerial performance and overall contribution to the success of the Bank. For named executive officers, incentive bonus ranges are between 35% to 50% of base salary when the Bank achieves its targeted ROE. In 1993 and 1992 no short term incentive bonus was paid to the Chief Executive Officer or to the other named executive officers as the Bank's results did not meet objectives.

Long Term Incentive Plan

The purpose of the Bank's Long Term Performance and Investment Plan ("LTPIP", also referred to as "LTIP" in the **Summary Compensation Table**) is to encourage ownership of the Bank's Common Shares, maintain a direct link between pay and performance and motivate officers to improve the Bank's longer term financial success, measured in terms of shareholder wealth. For named executive officers, the value of the target payout varies between 50% to 77% of base salary.

All eligible officers participated in the Plan for the November 1, 1992 to October 31, 1995 performance period, including Mr. A.R. Taylor who participated at his normal level. Details of the Plan and of participation by named executive officers can be found under "**Long Term Performance and Investment Plan**" in this Management Proxy Circular.

Based on the achievement level of the performance targets for the performance period ended October 31, 1993, an award of 15% of the potential total award was approved. For Mr. A.R. Taylor, an award of 15% or \$115,343 was approved.

In 1994, the Bank proposes to change the interest rate structure of LTPIP loans, such that in subsequent years, loans will be granted at Royal Bank Prime. Additionally, the Bank proposes to implement an Executive Stock Option Plan for the Bank's most senior executives, subject to shareholder approval as set forth under "**Proposed Executive Stock Option Plan**" in this Management Proxy Circular. This, combined with a reduction in LTPIP participation for the most senior officers, will restore the competitive position of the long term program as well as gradually reduce higher loan exposures which affect the most senior officers of the Bank under LTPIP.

Summary

The Committee monitors the levels of remuneration to ensure overall compensation reflects the Bank's desired relative compensation position and the Bank's performance. The Chairman of the Committee has direct access to the Bank's external compensation policy advisors. The Committee makes recommendations to the Board of Directors of the Bank, which gives the final approval on compensation matters.

J.E. Newall, Chairman
G.W.F. McCain
R.A. Pfeiffer, Jr.
R.T. Stewart
V.L. Young

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Summary Compensation Table details compensation information for the three fiscal years ended October 31, 1993, for the Chief Executive Officer and the four other most highly compensated executive officers of the Bank, measured by base salary and incentive bonuses during the fiscal year ended October 31, 1993. The information includes:

- salary earned in each applicable year;
- incentive bonuses earned in each applicable year;
- other annual compensation, which includes perquisites and personal benefits;
- payouts under the Long Term Performance and Investment Plan which represent the value of performance awards in each applicable year applied in reduction of loans; and
- all other compensation not reported elsewhere.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation	All Other Compensation (\$) ^(b)
		Salary ^(a) (\$)	Bonus (\$)	Other Annual Compensation (\$) ^(b)	LTIP Payouts (\$)	
A.R. Taylor, Chairman & Chief Executive Officer	1993	941,667	0	202,499 ^(d)	115,343	28,422 ^(e)
	1992	900,000	0		83,108	
	1991	100,000 ^(c) 883,333	700,000		544,389	
J.E. Cleghorn, President & Chief Operating Officer	1993	630,000	0	73,566	70,113	18,998 ^(e)
	1992	605,000	0		43,652	
	1991	50,000 ^(c) 595,833	310,000		227,647	
G.J. Feeney, Senior Executive Vice-President Retail Banking	1993	347,500	0	43,778	28,996	10,471 ^(e)
	1992	330,833	0		8,268	
	1991	301,667	200,000		33,717	
B.C. Galloway, Senior Executive Vice-President Corporate Banking	1993	292,500	0	30,335	25,789	8,826 ^(e)
	1992	276,667	0		8,897	
	1991	255,000	150,000		34,985	
J.E. Bolduc Executive Vice-President & Chief Financial Officer	1993	248,333	0	40,698	19,120	7,479 ^(e)
	1992	236,667	0		6,578	
	1991	216,667	100,000		29,219	

(a) Base salary reviews are performed January 1st of each year. Therefore, base salary reported represents 2 months at the rate in effect from November 1 to December 31 and 10 months at the rate in effect from January 1 to October 31.

(b) In accordance with transitional provisions of the OSC's recently revised rules on executive compensation disclosure in proxy statements, amounts of "Other Annual Compensation" and "All Other Compensation" have not been included for fiscal years 1991 and 1992.

(c) Merit payment granted on January 1, 1992 in lieu of base salary adjustments.

(d) Includes \$48,225 for Mr. Taylor, representing the taxable benefit for residence costs.

(e) The amounts in this column represent the Bank's contributions under the Employee Savings and Share Ownership Plan. These officers participate in this plan on the same basis as all other Bank employees. Under this plan, employees can contribute up to a specified percentage of their salary towards the purchase of Common Shares of the Bank or deposits with the Bank, with the Bank contributing additional Common Shares to the extent of 50% of eligible contributions.

Long Term Performance and Investment Plan

The following table shows participations taken up by the Bank's named executive officers in fiscal 1993 under the Long Term Performance and Investment Plan through subscription of

Common Shares, the respective performance period and the estimated future payouts for the performance period November 1, 1992 to October 31, 1995.

Long Term Incentive Plans – Awards in Most Recently Completed Financial Year

Name	Securities, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Securities Price-Based Plans		
			Threshold (\$)	Target (\$)	Maximum (\$)
A.R. Taylor	17,344	Nov 1/92 - Oct 31/95	81,000	729,000	810,000
J.E. Cleghorn	10,363	Nov 1/92 - Oct 31/95	48,400	435,600	484,000
G.J. Feeney	5,021	Nov 1/92 - Oct 31/95	23,450	211,050	234,500
B.C. Galloway	4,197	Nov 1/92 - Oct 31/95	19,600	176,400	196,000
J.E. Bolduc	3,083	Nov 1/92 - Oct 31/95	14,400	129,600	144,000

The Bank's Long Term Performance and Investment Plan is an entirely voluntary plan whereunder the Bank makes interest-free loans to eligible officers to finance the purchase of Common Shares of the Bank in amounts determined by the Personnel and Compensation Committee. The respective loan amounts are based on a predetermined percentage of annual base salary which, for the named executive officers, ranges from 30% to 45%. The loans are used exclusively to purchase Common Shares of the Bank at then applicable market prices and the shares are owned outright by the named executive officers.

At the end of the three-year performance period, the loans are subject to reduction by the amounts of performance awards made to participants. Performance awards are made at the end of the applicable three-year performance period and are based on the highest level of achievement of two alternative performance targets. A first performance target is based on the projected three-year compound growth in the book value of the Common Shares of the Bank and the Bank's return on equity in the third year of the performance period. The alternative performance target compares the ratio of the market value of the Bank's Common Shares to book value to that of other major banks. The target amount shown above will be earned if 90% of the performance target is achieved. The threshold amount will be earned at the

achievement of 10% of the performance target. The maximum award will be earned at the achievement of 100% of the performance target.

In the event of retirement, should a loan balance remain after the application of the final performance award and the proceeds from the sale of the shares, a payment will be provided to the participant to cover the shortfall.

In 1994, the Bank proposes to change the interest rate structure such that in subsequent plan years, loans will be granted at Royal Bank Prime. Additionally, an Executive Stock Option Plan for the Bank's officers will be proposed and presented for approval at the Annual Meeting of Common Shareholders as described under **"Proposed Executive Stock Option Plan"** in this Management Proxy Circular.

Retirement Plan

Retirement arrangements are in place to provide certain senior officers, including the named executive officers, upon retirement, with lifetime annual retirement income (including amounts payable under Canada and Quebec Pension Plans) of up to 60% of their average annual compensation (defined as base salary plus short-term incentive plan bonuses during the best 60 consecutive months in the last 10 years of employment). These pension arrangements accrue from age 40 on the basis of certain percentages per year, as follows: 40-54, 2% per

year; 55-64, 3% per year up to a maximum of 60% of average annual compensation. The normal retirement age under these arrangements is 65 years.

In respect of Messrs. A.R. Taylor, G.J. Feeney and J.E. Bolduc, who joined the Bank's pension plan prior to November 1, 1963, the retirement

arrangements accrue from age 40 as follows: 40-44, 2% per year; 45-54, 3% per year; 55-59, 4% per year, up to a maximum of 60% of average annual compensation. The normal retirement age is 60 years under these arrangements. In either case, no benefits are payable should termination occur prior to age 55.

PENSION PLAN TABLES

Remuneration (\$)*	Years of Credited Service at Normal Retirement Age of 60		
	10	15	20 or more
300,000	105,000	150,000	180,000
400,000	140,000	200,000	240,000
500,000	175,000	250,000	300,000
750,000	262,500	375,000	450,000
1,000,000	350,000	500,000	600,000
1,250,000	437,500	625,000	750,000
1,500,000	525,000	750,000	900,000

Remuneration (\$)*	Years of Credited Service at Normal Retirement Age of 65			
	10	15	20	25 or more
300,000	90,000	120,000	150,000	180,000
400,000	120,000	160,000	200,000	240,000
500,000	150,000	200,000	250,000	300,000
750,000	225,000	300,000	375,000	450,000
1,000,000	300,000	400,000	500,000	600,000
1,250,000	375,000	500,000	625,000	750,000
1,500,000	450,000	600,000	750,000	900,000

* Average annual compensation defined as base salary plus short term incentive bonuses during the best 60 consecutive months in the last 10 years of employment.

The credited service up to October 31, 1993 for each named executive officer is as follows:

Mr. A.R. Taylor has a normal retirement age of 60 and has attained the maximum 20 years of credited service.

Mr. J.E. Cleghorn has credited service of 12.3 years and a normal retirement age of 65; Mr. G.J. Feeney has credited service of 12.2 years and a normal retirement age of 60; Mr. B.C. Galloway has credited service of 6.2 years and a normal retirement age of 65; Mr. J.E. Bolduc has credited service of 14.6 years and a normal retirement age of 60. Each of the individuals will

attain the maximum credited service by the normal retirement age if they continue Bank employment. If any had terminated as of October 31, 1993, no retirement benefits would have been payable under the Plan.

Termination of Employment (Retirement)

Upon retirement, a lump sum retirement payment of \$168,375 will be paid to Mr. A.R. Taylor in addition to the retirement benefits payable as set forth under "Pension Plan Tables" in this Management Proxy Circular.

DIRECTORS' AND OFFICERS' REMUNERATION

During the fiscal year ended October 31, 1993, the aggregate remuneration paid by the Bank and its subsidiaries to its directors and officers was as shown in the table below. Directors were compensated as follows: (i) annual retainer of \$18,000; (ii) each Board meeting attended — \$950; (iii) each Board Committee meeting attended — \$700; (iv) each Conduct Review Committee meeting attended — \$350; (v) each Loan Policy

Committee meeting attended — \$350, plus an annual retainer of \$2,500; (vi) Committee chairpersons (excluding Regional Committees) receive an additional annual retainer of \$2,000; and (vii) each Regional Committee meeting attended to a maximum of four — \$700. Directors are reimbursed for transportation and other expenses incurred for attendance at Board and Committee meetings.

DIRECTORS' AND OFFICERS' REMUNERATION TABLE

	Directors' Fees	Salaries	Bonuses (a)	Other (b)	Total
Remuneration of Directors					
A) No. of Directors: 39					
B) Corporation incurring the expense					
Royal Bank of Canada	\$1,327,859				\$ 1,327,859
Royal Trust Corporation of Canada	3,500				3,500
RBC Trust Company	3,500				3,500
Royal Bank of Canada Holdings (U.K.) Limited	6,535				6,535
Royal Bank Realty Holdings (RBLI) Inc.	2,250				2,250
Aggregate Remuneration of Officers					
A) No. of Officers: 243 (including retirees during year)					
B) Corporation incurring the expense					
Royal Bank of Canada	30,350	\$32,303,356	\$1,537,672	\$4,992,484	38,863,862
Totals	\$1,373,994	\$32,303,356	\$1,537,672	\$4,992,484	\$40,207,506

(a) Denotes short term incentive bonuses as well as performance awards granted under the Long Term Performance and Investment Plan. No short term incentive bonus was paid to officers in respect of the fiscal year ended October 31, 1992. The aggregate of short term incentive bonuses to be paid to officers in respect of the fiscal year ended October 31, 1993 is estimated to be \$5,000,000. Details of the program under which short term incentive bonuses are awarded can be found under "Report on Executive Compensation — Short Term Incentive Plan" in this Management Proxy Circular. 201 officers are voluntary participants under the Long Term Performance and Investment Plan. Performance awards under this Plan made in January 1993 pertaining to the three-year performance period ended October 31, 1992 amounted to \$1,537,672. The aggregate amount of such awards to be made subsequent to October 31, 1993 pertaining to the three-year performance period ended October 31, 1993 is estimated to be \$1,535,000. Plan details can be found under "Long Term Performance and Investment Plan" in this Management Proxy Circular.

(b) Includes benefits other than salary to officers on transfer to national and international locations (\$4,264,551) as well as the Bank's contributions on behalf of officers to the Employee Savings and Share Ownership Plan (\$727,933).

Officers are eligible to participate in a leased automobile program for business and personal use. Rental, maintenance and operational costs are for the account of the Bank. Costs attributable to this program in respect of the fiscal year ended October 31, 1993, are estimated at \$2,374,271.

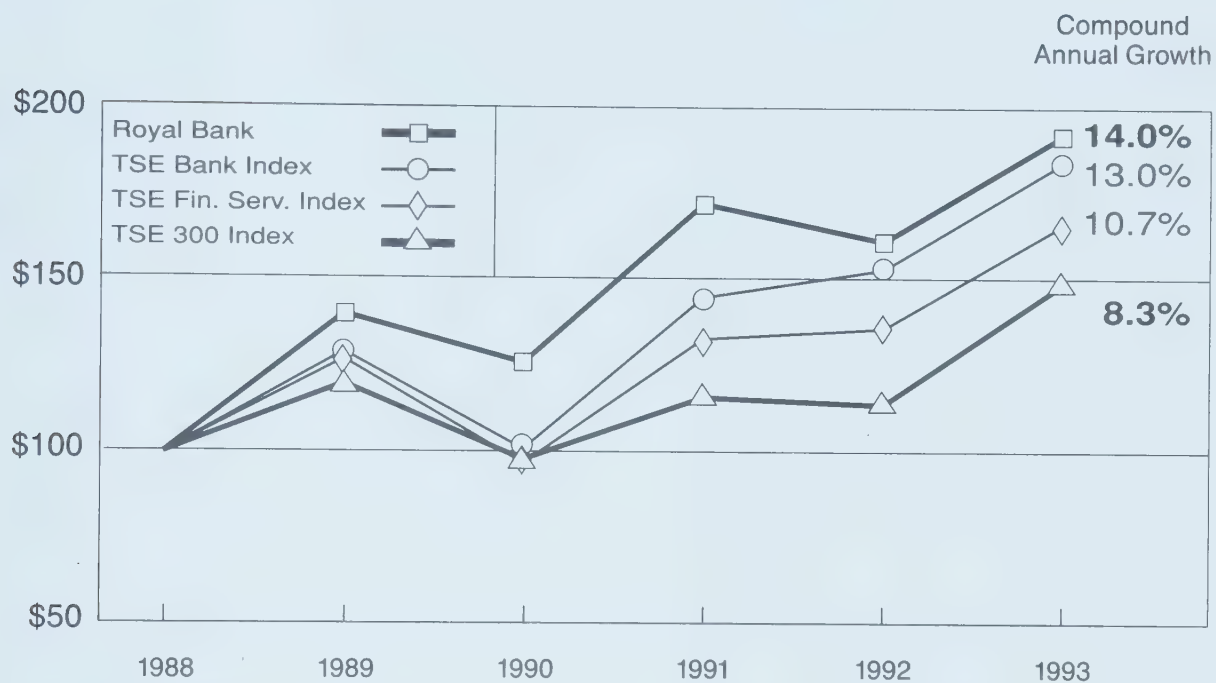
Eligible employees are permitted to borrow from the Bank, within certain prescribed limits and subject to the normal credit granting criteria applied to regular customer loans, at varying staff interest rates for purchases of or improvements to residential properties, investments in shares of the Bank, purchases of durable consumer goods or for certain other personal use purposes. Deemed taxable benefits arising from all loans outstanding to officers in the last fiscal year pursuant to Section 80.4 of the Income Tax Act (Canada) are estimated at \$1,760,000.

There were no non-accountable expense allowances.

PERFORMANCE GRAPH

The following chart illustrates Royal Bank's five-year cumulative total shareholder return (assuming reinvestment of dividends) considering a \$100 investment versus the return on the TSE Bank, the TSE Financial Services and the TSE 300 Indices.

**Five-Year Cumulative Total Return on \$100 Investment
assuming dividends are reinvested
(October 31, 1988 – October 31, 1993)**



	1988	1989	1990	1991	1992	1993
Royal Bank	\$100	\$142	\$128	\$174	\$163	\$192
TSE Bank Index	\$100	\$129	\$101	\$145	\$153	\$184
TSE Fin. Serv. Index	\$100	\$127	\$97	\$133	\$136	\$166
TSE 300 Index	\$100	\$120	\$98	\$116	\$114	\$149

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN UNDER SECURITIES PURCHASE PROGRAMS

As at November 19, 1993, aggregate indebtedness entered into for purposes other than in connection with purchases of securities of the Bank or subsidiaries of the Bank (other than "routine indebtedness" under applicable Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees and former officers, directors and employees of the Bank or its subsidiaries amounted to approximately \$349,000,000. This amount primarily reflects housing loans secured on the borrower's principal residence, made available to eligible management employees of the Bank at rates lower than those generally available to non-management employees and to customers of the Bank. Approximately 10,000 employees are eligible, subject to the usual credit granting criteria, to receive such loans.

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Year ended October 31, 1993 (\$)	Amount Outstanding as at November 19, 1993 (\$)	
			(a)	(b)
N.C. Achen, S.V.P.	Bank Loans	38,500	—	42,000
M.C.S. Baptista, E.V.P.	Bank Loans	82,203	—	79,446
D.A. Berardinucci, S.V.P.	Bank Loans	381,941	371,528	—
J.E. Bolduc, E.V.P.	Bank Loans	35,348	—	34,445
J.T. Burnett *	Bank Loans	30,000	—	25,000
J.E. Cleghorn, President & C.O.O.	Bank Loans	554,317	235,308	303,097
C.S. Coffey, S.V.P.	Bank Loans	248,200	243,000	—
M.T.J. Conway, V.P. & Chief Accountant	Bank Loans	131,090	99,071	26,612
M.A. Corlett, E.V.P.	Bank Loans	273,465	218,128	54,450
C.J. Coveyduck, S.V.P.	Bank Loans	60,000	—	60,000
A.R. Creasor, S.V.P.	Bank Loans	441,115	384,988	38,041
G.J. Feeney, S.E.V.P.	Bank Loans	308,734	—	209,691
G.F. Gaffney, S.V.P.	Bank Loans	445,189	393,167	48,558
B.C. Galloway, S.E.V.P.	Bank Loans	33,966	—	33,512
W.J. Gorman *	Bank Loans	171,510	—	171,510
J.A.R. Guay, S.V.P.	Bank Loans	19,624	—	19,624
R.G. Hall, S.V.P.	Bank Loans	220,274	214,081	—
G.J. Johnson *	Bank Loans	294,839	256,934	30,000
J.E. Lawson, S.V.P. & Secretary	Bank Loans	126,807	142,162	—
K.A. Littlewood, S.V.P.	Bank Loans	255,373	209,620	44,521
E.J. Lundy, S.V.P.	Bank Loans	324,788	298,580	20,000
I.A. MacKay, S.V.P.	Bank Loans	191,977	186,898	—
C.R. Markwell *	Bank Loans	571,141	426,267	136,582

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Year ended October 31, 1993 (\$)	Amount Outstanding as at November 19, 1993 (\$)	
			(a)	(b)
W.J. McCartney *	Bank Loans	28,695	—	27,260
T.R. McDermid, S.V.P.	Bank Loans	158,426	152,495	—
V.G. McKay, S.V.P.	Bank Loans	30,000	—	30,000
J. Merriam, S.V.P.	Bank Loans	215,806	191,957	20,471
R.S. Pennycook, S.V.P.	Bank Loans	176,265	171,476	—
D.L. Robertson, S.V.P.	Bank Loans	537,555	479,894	51,693
B. Schroder, S.V.P.	Bank Loans	199,341	175,535	21,500
J.H. Shaw, V.P. & Comptroller	Bank Loans	47,897	—	44,655
R.E. Stanley, S.V.P.	Bank Loans	245,173	209,824	14,848
R.J. Sutherland, E.V.P.	Bank Loans	189,668	146,942	—
G.G. Tallman, S.V.P.	Bank Loans	265,000	245,000	20,000
B.A. Tallman **	Bank Loans	318,500	—	318,500
A.R. Taylor, Chairman & C.E.O.	Bank Loans	30,000	—	30,000
M.L. Turcotte, S.V.P.	Bank Loans	145,853	—	145,853
A.A. Webb ***	Bank Loans	416,321	408,677	5,962
E.K. Weir, S.V.P.	Bank Loans	297,966	—	255,314
D.S. Wells, S.V.P.	Bank Loans	45,065	—	45,065

* No longer an officer

** Spouse of G.G. Tallman

*** President & C.E.O., Royal Trust Corporation of Canada

- (a) Loan(s) to assist with home purchase resulting from Bank initiated transfer, secured by collateral mortgage on borrower's residence and amortized over maximum term of 25 years. The first \$50,000 of any such loan bears interest at 1% per annum, the balance at 4%, both rates being applicable for an initial three-year period; in the fourth year, the rates are 2% and 5% per annum, respectively. Thereafter, each such loan bears interest at rates between 3% and 6% per annum. (When not made in conjunction with Bank initiated transfers, loan bears interest at a rate per annum 2% below the Bank's residential mortgage interest rate for the term selected, subject to a minimum of 5% per annum). In certain cases, the amount shown in this column includes a residential mortgage loan secured on the borrower's residence granted at the applicable regular customer interest rate in accordance with the Bank's residential mortgage lending program.
- (b) Loans for personal purposes, principally for consumer purchases, home improvements, recreational property acquisition, and sundry investment. Security in conformity with Bank's regular customer lending practices is held. Such loans are granted on a demand basis, generally subject to regular repayment schedules and bear interest at rates between 3% and the Bank's Prime interest rate. Short term interim financing loans to facilitate residence purchase in conjunction with geographic relocation and a small number of loans for computer purchases are granted on an interest free basis.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS UNDER SECURITIES PURCHASE PROGRAMS

As at November 19, 1993, aggregate indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) to the Bank or its subsidiaries of all officers, directors and employees and former officers, directors and employees of the Bank and its subsidiaries made in connection with the purchase of securities of the Bank or any of its subsidiaries was approximately \$19,697,000.

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Year ended October 31, 1993 (\$)	Amount Outstanding as at November 19, 1993 (\$)		Financially Assisted Securities Purchases During Last Completed Financial Year (c)	Security for Indebtedness (d)
			(a)	(b)		
N.C. Achen, S.V.P.	Bank Loans	171,425	119,095	49,601	3338	8258
R.L. Arsenault *	Bank Loans	103,966	103,966	—	1504	4646
M.C.S. Baptista, E.V.P.	Bank Loans	138,726	138,726	—	2376	6188
D.A. Berardinucci, S.V.P.	Bank Loans	101,229	101,229	—	1605	4514
E. Bigsby, S.V.P.	Bank Loans	58,890	58,890	—	899	2628
T.W. Bleackley *	Bank Loans	218,489	218,489	—	3747	9693
J.E. Bolduc, E.V.P.	Bank Loans	460,636	197,989	246,437	5228	20514
J.T. Burnett *	Bank Loans	115,482	115,482	—	1670	5160
J.E. Cleghorn, President & C.O.O.	Bank Loans	708,356	703,993	869	10363	31420
C.S. Coffey, S.V.P.	Bank Loans	131,248	105,716	24,483	2925	5986
M.T.J. Conway, V.P. & Ch. Acct.	Bank Loans	38,269	19,600	17,034	839	866
M.A. Corlett, E.V.P.	Bank Loans	109,600	109,600	—	1745	4887
C.J. Coveyduck, S.V.P.	Bank Loans	120,734	68,767	50,436	993	3073
A.R. Creasor, S.V.P.	Bank Loans	96,732	90,846	5,390	1504	4025
L.G. Edmonds *	Bank Loans	111,980	111,980	—	1680	4999
H.E. Elsie, S.V.P.	Bank Loans	156,077	109,368	40,716	2723	5952
G.J. Feeney, S.E.V.P.	Bank Loans	517,195	316,713	181,850	7717	32103
W.R. Fithern *	Bank Loans	118,479	118,479	—	1734	5290
G.F. Gaffney, S.V.P.	Bank Loans	146,091	116,959	27,532	3218	6661
B.C. Galloway, S.E.V.P.	Bank Loans	328,031	269,468	55,781	7101	14921
W.J. Gorman *	Bank Loans	228,060	173,983	51,519	4707	10448
B.P. Griffiths, S.V.P.	Bank Loans	147,989	115,483	30,858	3283	6773
J.A.R. Guay, S.V.P.	Bank Loans	115,921	102,203	11,243	1605	4562
R.G. Hall, S.V.P.	Bank Loans	85,662	85,662	—	1423	3798
G.J. Johnson *	Bank Loans	172,644	129,224	41,197	3558	12336
R.M. Juneau, S.V.P.	Bank Loans	70,965	70,965	—	1070	3167
D.N. Kitchen, S.V.P.	Bank Loans	180,462	127,726	47,937	1905	9644
J.E. Lawson, S.V.P. & Sec.	Bank Loans	68,784	68,784	—	1199	3068

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During Year ended October 31, 1993 (\$)	Amount Outstanding as at November 19, 1993 (\$)		Financially Assisted Securities Purchases During Last Completed Financial Year (c)	Security for Indebtedness (d)
			(a)	(b)		
D.M. Leahey, S.V.P.	Bank Loans	96,742	96,742	—	1498	4320
K.A. Littlewood, S.V.P.	Bank Loans	72,176	72,176	—	1079	3135
E.J. Lundy, S.V.P.	Bank Loans	97,416	72,546	23,530	2041	4171
I.A. MacKay, S.V.P.	Bank Loans	115,094	115,094	—	1670	5144
C.R. Markwell *	Bank Loans	124,724	124,724	—	1814	5571
R.A. Masleck, S.V.P.	Bank Loans	112,227	112,227	—	1670	4952
W.J. McCartney *	Bank Loans	240,775	191,989	45,783	2826	8568
T.R. McDermid, S.V.P.	Bank Loans	124,383	98,851	23,111	2770	5678
V.G. McKay, S.V.P.	Bank Loans	111,485	111,485	—	1686	4920
J. Merriam, S.V.P.	Bank Loans	119,712	86,972	27,314	2408	4775
E.P. Neufeld, E.V.P.	Bank Loans	208,815	165,581	41,819	4675	9535
R.S. Pennycook, S.V.P.	Bank Loans	70,832	70,832	—	1338	3155
D.P. Pritchard, S.V.P.	Bank Loans	130,870	130,870	—	1892	5778
J.N.T. Rednall *	Bank Loans	115,977	115,977	—	1734	5112
D.L. Robertson, S.V.P.	Bank Loans	149,027	119,072	26,700	3148	6623
B. Schroder, S.V.P.	Bank Loans	108,258	87,481	19,303	1423	4774
J.H. Shaw, V.P. & Comptroller	Bank Loans	74,018	61,614	11,503	920	3702
K.A. Smee, E.V.P.	Bank Loans	136,563	136,563	—	2248	6073
R.E. Stanley, S.V.P.	Bank Loans	69,969	69,969	—	1070	3119
E.G. Stone *	Bank Loans	118,219	118,219	—	1782	5274
R.J. Sutherland, E.V.P.	Bank Loans	170,029	131,078	37,975	3770	8597
G.G. Tallman, S.V.P.	Bank Loans	138,717	110,860	26,531	3121	19829
A.R. Taylor, Chairman & C.E.O.	Bank Loans	1,414,911	1,169,968	204,388	17343	76689
P.A. Taylor, E.V.P.	Bank Loans	196,789	196,789	—	3031	8780
M.L. Turcotte, S.V.P.	Bank Loans	129,601	126,829	2,532	1782	5426
A.A. Webb **	Bank Loans	232,299	114,710	110,293	3240	10613
D.S. Wells, S.V.P.	Bank Loans	149,120	117,059	29,240	1781	5225

* No longer an officer

** President and C.E.O., Royal Trust Corporation of Canada

- (a) Loan(s) used to purchase Common Shares of the Bank pursuant to the Bank's Long Term Performance and Investment Plan. Reference is made to "Long Term Performance and Investment Plan" in this Management Proxy Circular. After the application of the performance awards in reduction of the loans, any residual balances can remain outstanding on an interest-free basis for a maximum period of six months after which they must be repaid.
- (b) Loan(s) used to purchase Common Shares of the Bank pursuant to the Bank's Common Share Purchase Program under which loans are currently granted at the rate of 5% per annum. Repayment is made over a maximum period of ten years and shares thus purchased are held as security until full payment of the loan.
- (c) Number of Common Shares of the Bank purchased with Bank loans during the financial year.
- (d) Aggregate number of Common Shares of the Bank held as security for the loan amount outstanding as at November 19, 1993.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Bank has purchased at its expense group liability insurance in the amount of \$75,000,000 for its protection and for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Bank and its subsidiaries. For the period from May 1, 1993 to May 1, 1994, the Bank paid a total premium of \$1,048,000 of which \$943,200 was for the Bank's protection; \$52,400 was in respect of the directors as a group; and \$52,400 was in respect of the officers as a group. In any case in which the Bank is not permitted by law to reimburse the director or officer, no deductible applies. Where the Bank is permitted to reimburse the director or officer, the deductible is \$5,000,000.

LEGAL PROCEEDINGS

The Bank continued to be subject to various lawsuits challenging certain of its practices or actions. A majority of these suits are loan-related. That is, they involve claims or counterclaims brought in reaction to steps the Bank has taken to collect delinquent loans and enforce rights it has in collateral securing such loans. As at November 19, 1993, the aggregate liability which is expected to result from all these suits, however, was not considered material.

PROPOSED EXECUTIVE STOCK OPTION PLAN

On November 2, 1993, the Board of Directors of the Bank approved, subject to shareholder and regulatory approvals, an Executive Stock Option Plan ("Plan") the purpose of which is to provide an incentive to key employees of the Bank to further the development, growth and profitability of the Bank and to assist the Bank in retaining and attracting executives with experience and ability.

Under the Plan, selected officers will be granted options to purchase Royal Bank Common Shares. The maximum number of Common Shares of the Bank which may be issued under the Plan is 10,000,000, representing approximately 3.2% of issued and outstanding Common Shares of the Bank. The Personnel and Compensation Committee will select officers to whom options are granted and will determine the number of shares subject to each option granted under the Plan and the terms of the exercise of each option.

The exercise price of each option granted under the Plan will be not less than the market price of the Common Shares of the Bank immediately before the grant, based on a five-day weighted average of the trading prices on both the Toronto and Montreal stock exchanges. Options granted under the Plan will be exercisable at times and in percentages determined by the Committee at the date of the grant of each option or in accordance with criteria pre-established by such Committee from time to time, but no option will be exercisable later than 10 years after it was granted. Options will terminate on their stated termination date or earlier upon or following the termination of employment of the participating officer at dates which will vary depending upon the reasons for the termination of employment. Awards which are not exercised prior to their termination will be available for grants to other executive officers.

To date, no options have been granted under the Plan.

Pursuant to the terms of the Plan, a copy of which is attached to this Management Proxy Circular as Schedule "A", the approval of the Plan by a majority of the votes cast at the Annual Meeting of Common Shareholders is required. Accordingly, shareholders will be asked to consider and, if deemed fit, pass the following resolution:

"RESOLVED that the Executive Stock Option Plan of the Bank approved by the Board of Directors on November 2, 1993 and described in the Management Proxy Circular of the Bank dated December 7, 1993, distributed to the shareholders, be and the same is hereby approved."

APPOINTMENT OF AUDITORS

The former *Bank Act* required the shareholders of the Bank to appoint two firms of accountants to be the Auditors of the Bank and required, if the same two firms of accountants had been appointed for two consecutive years, that one such firm not be appointed Auditor of the Bank for a period of two years following expiration of the term for which it was last appointed. The firms of Deloitte & Touche and Peat Marwick Thorne were appointed Auditors of the Bank at the last two Annual Meetings.

The new *Bank Act* requires the shareholders of the Bank to appoint one firm of accountants, and permits the shareholders to appoint two firms of accountants, to be the Auditors of the Bank until the next Annual Meeting of Shareholders. Management of the Bank recommends that the shareholders continue the past practice of auditor rotation and recommends that Deloitte & Touche and Price Waterhouse be appointed Auditors of the Bank until the next Annual Meeting of Shareholders of the Bank. Because the proposed rotation is no longer required by statute, Schedule "B" to this Management Proxy Circular includes a copy of the notice confirming that there have been no reportable events (including disagreements, unresolved issues or consultations) in connection with the audits of the two most recent fiscal years and any subsequent period to date, as required by National Policy No. C-31 adopted by securities administrators in Canada.

The persons named in the enclosed Form of Proxy intend to vote for the reappointment of Deloitte & Touche and the appointment of Price Waterhouse as Auditors of the Bank, to hold office until the next Annual Meeting of Shareholders of the Bank.


AVAILABLE DOCUMENTATION

The Bank is a reporting issuer under the securities acts of all of the provinces of Canada and is therefore required to file financial statements and information circulars with the various securities commissions. The Bank also files an annual information form annually with such securities commissions. Copies of the Bank's latest annual information form, annual financial statements, any interim financial statements filed subsequent to the filing of the most recent annual financial statements and Management Proxy Circular may be obtained on request from the Secretary of the Bank.

DIRECTORS' APPROVAL

The Board of Directors of the Bank has approved the content and sending of this Management Proxy Circular.

Montreal, December 7, 1993



JANE E. LAWSON
Senior Vice-President & Secretary

SCHEDULE "A"

EXECUTIVE STOCK OPTION PLAN

Section 1 — Purpose

The Executive Stock Option Plan has been established as a means of compensating Eligible Employees for their contribution to the performance of the Bank. The Plan is intended to:

- (a) provide an incentive to key employees of the Bank to further the development, growth and profitability of the Bank,
- (b) contribute in providing such Eligible Employees with a total compensation and rewards package that is comparable to industry practice and is tax effective, and
- (c) assist the Bank in retaining and attracting executives with experience and ability.

Section 2 — Definitions

2.1 In this Plan, unless the context otherwise requires, the following terms have the meaning indicated:

"Bank"	means Royal Bank of Canada, its subsidiaries, whether direct or indirect and any other entity designated by the Committee.
"Board"	means the Board of Directors of the Bank.
"Chairman"	means the Chairman and Chief Executive Officer of the Bank.
"Committee"	means the Personnel and Compensation Committee of the Board.
"Disability"	means the disability, as that term is defined in Royal Bank of Canada Disability Insurance Program, of any Participant.
"Eligible Employee"	means an employee (including, without limitation, any director) of the Bank who, because of his roles and responsibilities, is designated by the Committee as a potential participant in the Plan.
"Option"	means the right to purchase Shares of the Bank granted under this Plan and subject to the terms and conditions of the Plan.
"Participant"	means an Eligible Employee of the Bank to whom Options are awarded under the Plan.
"Plan"	means the Executive Stock Option Plan, either as originally adopted or as amended from time to time, as the case may be.
"Specified Price"	means the price established by the Committee at not less than the Market Value of the Shares on the day of the grant of the Option.
"Market Value"	means the weighted average of the trading prices per share of a board lot of Shares traded on the Montreal and the Toronto stock exchanges for the five-trading-day period ending on the last trading day preceding the date of the grant.
"Shares"	means Common Shares of the Bank.

2.2 In this Plan, unless the context requires otherwise, references to the male gender include the female gender and words importing the singular include the plural and vice versa.

Section 3 — Administration of the Plan

The Plan is under the direction of the Committee which, in addition to the specific powers conferred upon it hereunder, has full and complete authority to interpret the Plan and to prescribe such rules and regulations and make such other determinations as it deems necessary or desirable to meet the objectives of and to administer the Plan.

Section 4 — Number of Shares to be issued under the Plan

The number of Shares that may be issued pursuant to the grant of Options under the Plan shall not exceed ten million (10,000,000) Shares. All Shares subject to Options that have expired, terminated or have been cancelled without having been exercised shall be available for any subsequent Options under the Plan. No single Participant will be granted Options for more than 5% of the issued and outstanding Shares.

Section 5 — Options

5.1 Grant of Options

The Committee, after considering the recommendations of the Chairman, shall designate from among the Eligible Employees those to whom Options shall be granted, the number of Shares to be covered by each Option, the Specified Price for each Option, the period during which the same may be exercised and the other terms and conditions attaching thereto. Any Participant, at the time of the grant of an Option, may hold more than one Option. The grant of each Option shall be evidenced by a letter from the Bank addressed to the Participant setting forth the number of Shares covered by such Option, the Specified Price, the option period and any other terms and conditions attaching thereto.

5.2 Payment of Specified Price

The Specified Price for the Shares covered by an Option granted under this Plan shall be paid in full at the time of exercise of such Option.

5.3 Option Period

5.3.1 Subject to the provisions of paragraph 5.3.2, each Option shall be exercisable during a period established by the Committee provided that such period shall expire no later than ten (10) years after the date of grant.

5.3.2 Unless otherwise decided by the Committee, the following rules shall apply:

- (a) in the event of the retirement or the Disability of a Participant, the Options held by such Participant shall continue to vest, and any Options exercisable by such Participant sixty (60) months after the date that the Participant has retired or become disabled, and not exercised by such date, shall terminate on such date;
- (b) in the event of death of the Participant either before or after retirement, the Options shall continue to vest and any Options exercisable by such Participant twelve (12) months after the date of the Participant's death, and not exercised by such date, shall terminate on such date; and
- (c) in the event that the Participant ceases to be a full-time employee of the Bank for any reason other than retirement, Disability, or death, any Options then held by such Participant shall terminate on the date on which the Participant ceases to be an employee, unless they are exercised within three (3) months of such date, subject to such exceptions as the Committee may at any time agree to upon the recommendation of the Chairman.

The above shall not be construed as extending the exercise period past the 10-year term.

5.4 Exercise of Options

5.4.1 Subject to Section 5.3, each Option may be exercised in part or in whole, but in any event in accordance with a rate or rates of exercise established by the Committee and in effect at the time of the grant thereof.

5.4.2 Options shall be exercised in accordance with the procedures to be established by the Committee from time to time.

5.5 Options Non-assignable

No Options or any interest therein shall be transferable or assignable by the Participant otherwise than by will or pursuant to the laws of succession and no Option may be exercised by anyone other than the Participant or his legal representative during the life of the Participant.

Section 6 — Participant Not a Shareholder

A Participant shall have no rights as a shareholder of the Bank with respect to any Shares covered by any Option until such time as and to the extent only that such Option has been exercised.

Section 7 — Effects of Alteration of Capital Stock

If the number of outstanding Shares of the Bank shall be increased or decreased as a result of a stock split, consolidation or reclassification or if other changes with respect to the Shares shall occur, other than as a result of the issuance of Shares for valuable consideration or by way of stock dividend, then the number of and price payable for Shares subject to any unexercised Options, shall be adjusted in such manner as the Board shall deem proper, to preserve the rights of the Participants under the Plan substantially proportionate to those existing prior to such event.

Section 8 — Amendment and Termination

The Board may at any time and from time to time by resolution amend or terminate the Plan, but (a) no such amendment or termination shall, except with the written consent of the Participants concerned, respectively, affect the terms and conditions of Options previously granted under the Plan to the extent that they have not then been exercised, unless the rights of such Participants shall then have terminated or been wholly exercised, and (b) without the approval of the shareholders, the total number of Shares that may be issued pursuant to the exercise of Options, may not be increased (except by adjustment pursuant to Section 7). Any amendment to the Plan is subject to the approval of regulatory authorities, including the stock exchanges, and in addition the stock exchanges may require shareholder approval thereof.

Section 9 — Laws

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Quebec and those of Canada insofar as the latter may be applicable.

Moreover, no Option may be exercised nor will the Bank have any obligation to issue Shares pursuant thereto if such exercise or issue would be contrary to or violate any applicable law or any applicable regulation of a duly constituted authority.

Section 10 — Participation Voluntary

- 10.1 The Participation of an Eligible Employee in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon any such Eligible Employee any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment nor a commitment on the part of the Bank to ensure the continued employment of such Eligible Employee.
- 10.2 The Plan does not provide any guaranty against any loss or profit which may result from fluctuations in the Market Value of the Shares.
- 10.3 The Bank does not assume responsibility for the income or other tax consequences for the Eligible Employees participating in the Plan and Eligible Employees are advised to consult with their own tax advisors.

Section 11 — Coming into effect

The Plan shall come into effect upon its approval by the shareholders of the Bank.

SCHEDULE "B"
NOTICE OF CHANGE OF AUDITORS

Royal Bank of Canada (the "Bank") hereby gives notice, pursuant to National Policy No. C-31, as follows:

1. Management of the Bank intends to recommend the re-appointment of the firm Deloitte & Touche and the appointment of the firm Price Waterhouse as Auditors of the Bank, at the Annual Meeting of Common Shareholders of the Bank to be held on Thursday, January 27, 1994. The firms of Deloitte & Touche and Peat Marwick Thorne were appointed Auditors of the Bank at the last two Annual Meetings and if management's recommendation is adopted, Peat Marwick Thorne's appointment as Auditors of the Bank will expire at the end of the Annual Meeting of Common Shareholders of the Bank to be held on January 27, 1994. The former *Bank Act* required that, if the same two firms of accountants had been appointed for two consecutive years, one such firm could not be appointed for a period of two years. The Bank has elected but is not required, to continue the pattern of auditor rotation formerly required by law.
2. There have been no reservations in the Auditors' reports on the Bank's annual financial statements for the two fiscal years preceding the date of this notice, being the reports of Deloitte & Touche and Peat Marwick Thorne for the fiscal years ended October 31, 1992, and October 31, 1993.
3. This recommendation to change Auditors as set forth above has been approved by the Audit Committee and the Board of Directors of the Bank.
4. There have been no reportable events (including disagreements, unresolved issues and consultations) in connection with the audits of the two most recent fiscal years and any subsequent period to date.

DATED at Montreal, Quebec this 7th day of December, 1993.

ROYAL BANK OF CANADA

JANE E. LAWSON
Senior Vice-President & Secretary

CONFIRMATION

I, Jane E. Lawson, Senior Vice-President & Secretary of Royal Bank of Canada (the "Bank") confirm that the Audit Committee and the Board of Directors of the Bank have reviewed the documents contained in this Reporting Package, pursuant to National Policy No. C-31, being (i) Notice of Change of Auditors, (ii) letter from the former and the continuing Auditors and (iii) letter from the successor Auditor.

DATED at Montreal, Quebec this 7th day of December, 1993.

JANE E. LAWSON
Senior Vice-President & Secretary



To: Canadian Securities Administrators

Dear Sirs:

Re: Royal Bank of Canada (the "Bank")

We have read the Notice of Change of Auditors dated December 7, 1993 and are in agreement with the statements contained in the Notice.

Yours truly,

(signed) PEAT MARWICK THORNE
Chartered Accountants

(signed) DELOITTE & TOUCHE
Chartered Accountants

Montreal, Quebec
December 7, 1993



December 7, 1993

Canadian Securities Administrators

Dear Sirs

Royal Bank of Canada

We have read the Notice of Change of Auditors dated December 7, 1993 and are in agreement with the statements contained in the Notice.

Yours truly

(signed) PRICE WATERHOUSE
Chartered Accountants

